



## Challenges and opportunities affecting the future of human resource management



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### ABSTRACT

Today, the field of Human Resource Management (HR) is experiencing numerous pressures for change. Shifts in the economy, globalization, domestic diversity, and technology have created new demands for organizations, and propelled the field in some completely new directions. However, we believe that these challenges also create numerous opportunities for HR and organizations as a whole. Thus, the primary purposes of this article are to (a) examine some of the challenges and opportunities that should influence the future of HR, and (b) provide an overview of the very interesting articles included in the special issue. We also consider implications for future research and practice in the field.

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*"It's been a long time coming. But I know a change is gonna come."*

[[Sam Cooke, 1964]]

Although Sam Cooke's quote was written over fifty years ago, it is especially relevant to Human Resource Management (HR) today because the field is experiencing numerous pressures for change. Shifts in the economy, globalization, domestic diversity, and technology create new demands for organizations, which propel the field of HR in some completely new directions. In particular, technology and talent management are considered to be the two primary drivers of change in the 21st century according to a recent survey by the Society for Human Resource Management (SHRM, 2002). Technology typically refers to the use of information technology to store and disseminate HR data (Gueutal & Stone, 2005). Talent management is a fairly vague term, but one of the simplest definitions is that it is the anticipation of HR needs for the organization, and the development of a plan to meet those needs (e.g., Cappelli, 2008; Dries, 2013). Other HR researchers maintain that changes in the field are being triggered by a rise in globalization, increased generational diversity, and expanded interest in innovation and sustainability (Boudreau, Gibson, & Ziskin, 2014; Roehling et al., 2005; Ulrich, 2013).

We believe that these challenges and new opportunities will influence the future of HR, and the primary purpose of this special issue is to examine some of the factors that will affect prospective changes in HR. In this article, we review several of the primary forces that are presenting challenges for HR research and practice. Consistent with the arguments above, organizations, and the field of HR, are facing a number of pressures that will modify the goals of organizations and change the nature of HR processes and practices. In the discussion below, we consider how transformations in the economy, globalization, domestic diversity, and technology will foster new approaches to HR.

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## 1. Change from a manufacturing to a service or knowledge economy

One of the major challenges influencing the future of HR processes is the change from a manufacturing to a service or knowledge-based economy. This new economy is characterized by a decline in manufacturing and a growth in service or knowledge as the core of the economic base. A service economy can be defined as a system based on buying and selling of services or providing something for others (Oxford Dictionary, 2014a). A knowledge economy is referred to as the use of information or knowledge to generate tangible and intangible value (Business Dictionary, 2014a). Some economists argue that service activities are now dominating the economies of industrialized nations, and knowledge-intensive services or businesses are considered a subset of the overall service economy (Anderson & Corley, 2003).

The rise of the knowledge economy has placed new demands on organizations and prompted changes in organizational goals and HR practices. Many of the traditional HR processes were designed during the industrial era, and thus focused largely on manufacturing organizations that were concerned with converting raw materials, components, and parts into finished goods that meet customers' expectations. However, many of the assumptions underlying those traditional HR processes may not be effective with the new service or knowledge organizations. For example, traditional HR practices assume that jobs should be narrowly defined, supervisors should control workers, and efficiency and short term results should be emphasized (Trice & Beyer, 1993). In contrast, knowledge organizations stress that employees' knowledge and skills have a major impact on organizational success, and employee retention is important because individuals' skills are not substitutable.

Knowledge organizations also tend to design jobs broadly so as to encourage innovation, autonomy, continuous improvement, and participation in decision making. Given that individuals with unique skills and abilities are essential in knowledge organizations, the new job requirements have created a shortage and increased competition for talented workers in many fields (e.g., software engineering, nursing). Additionally, the change in the economy has resulted in the displacement and unemployment of people who do not have the skills needed for knowledge-oriented jobs (e.g., Bell, Berry, Marquardt, & Green, 2013; Karren & Sherman, 2012). These changes imply that nations need to alter their educational systems to meet job demands in new organizations (Gowan, 2012).

The goals of knowledge organizations should continue to bring about changes in HR processes in the future (e.g., Schuler, Jackson, Jackofsky, & Slocum, 1996). For instance, it can be expected that HR practices will employ broad based recruiting to ensure that they uncover skilled applicants, design jobs to emphasize autonomy and participation in decision-making, use team oriented structures to enhance collaboration and innovation, stress training and employee skill development, and provide incentives that foster employee identification, innovation, and retention. HR will need to shift its emphasis to employee retention, and meeting the varied needs of knowledge workers. Some of these new practices have already been implemented in organizations, but many organizations still use HR practices that do not support knowledge-oriented organizational goals. Future HR processes will need to be modified if knowledge organizations are to be successful. Research will also be needed to examine the effectiveness of these new practices.

Although we considered the new knowledge economy as a challenge for HR in organizations, it can also be viewed as an opportunity for change. Given that the skills and abilities of knowledge workers are key to the success of new organizations, the transformation to a knowledge economy provides opportunities for the HR function to become a priority in organizations. As a result, we believe that HR will become more of a critical function in organizations, and the field should be viewed as more essential to the overall success of the organizations.

## 2. Rise in globalization

A second factor calling for changes in HR processes is the rise in globalization. Globalization in this context refers to organizations that operate on a global or international scale (Oxford Dictionary, 2014b). Organizations operating in a global environment face a number of new challenges including differences in language and culture of employees, and variations in social, political and legal systems. Multinational corporations (MNCs) are large companies operating in several countries that are confronted with new questions, including how to create consistent HR practices in different locations, how to develop a coherent corporate culture, and how to prepare managers to work in a diverse cultural environment (Sparrow, 2007).

Research on HR in the international context has focused on three approaches to understanding the issues that arise in global environments: international, comparative, and cross-cultural HR (Parry, Stavrou-Costea, & Morley, 2011). International approaches focus on HR strategies, systems, and practices in different socio-cultural contexts and different geographic territories (Parry et al., 2011). It also outlines the anatomy of MNCs, and considers the unique set of HR issues that occur in these contexts (Budhwar & Sparrow, 2002). Although researchers differ on the factors that affect HR practices in global environments, most agree that the following variables influence these systems: (a) contextual variables (such as the host country's legal system, cultural distance between host country and employees' country), (b) firm-specific variables (such as the stage of internationalization, type of industry, link between strategy and structure), and (c) situational variables (such as staff availability, need for control, locus of decision making) (e.g., Budhwar & Sparrow, 2002; Schuler, Dowling, & De Cieri, 1993; Welch, 1994).

Comparative HR explores the context, systems, and national patterns of HR in different countries, and discusses the idiosyncrasies of various institutions and economic environments (e.g., Aycan et al., 2000; Isenhour, Stone, & Lien, 2012a; Parry et al., 2011). Most of the research on comparative HR indicated that HR practices differ across nations, and are aligned with national cultures (Stone & Stone-Romero, 2008). Two examples of that research include a study by Schuler and Rogovsky (1998) that assessed the relations between Hofstede's national culture dimensions and the design of HR practices. These authors found that a national emphasis on individualism was positively correlated with a company's use of pay-for-performance pay systems. In addition, Gooderham, Nordhaug, and Ringdal (1999) explored cross-national differences in HR practices across European nations. Their results revealed

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